

## Message Text

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PAGE 01 GENEVA 07337 01 OF 03 122151Z

ACTION EB-08

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TO SECSTATE WASHDC 9585

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

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C O N F I D E N T I A L SECTION 01 OF 03 GENEVA 07337

USEEC USOECD

E.O. 11652: GDS

TAGS: EFIN, UNCTAD

SUBJECT: UNCTAD, ITS FIFTH CONFERENCE, THE G-77 AND

U.S. STANCE TOWARDS UNCTAD

SUMMARY: THE TIME FOR DECIDING THE AGENDA FOR THE UNCTAD V CONFERENCE IS APPROACHING RAPIDLY. WHILE NO SPECIFIC IDEAS ARE FORTHCOMING FROM EITHER THE SECRETARIAT OR THE G-77 AS YET, BOTH ARE ACTIVELY WORKING TO MAKE UNCTAD V A SIGNIFICANT NEW ROUND IN THE NORTH/SOUTH DIALOGUE. THE OECD COUNTRIES, IN CONTRAST, HAVE NOT EVEN COMMENCED TO THINK, AND, UNLESS SOME ACTION IS COMMENCED SOON, WILL AGAIN BE FACED WITH UNPALLATABLE INITIATIVES, WILL HAVE NO POSITION OR SUGGESTIONS OF THEIR OWN, AND WILL AGAIN BE IN THEIR TRADITIONAL REACTIVE STANCE. NEED THIS BE SO? END SUMMARY.

1. AS THE TIME APPROACHES FOR THE PREPARATION FOR AND SELECTION OF AN AGENDA FOR THE FIFTH CONFERENCE OF UNCTAD  
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PAGE 02 GENEVA 07337 01 OF 03 122151Z

SCHEDULED FOR MAY 1979, IT IS APPARENT THAT VERY FEW IDEAS ON HOW TO MAKE IT A USEFUL EVENT IN THE N/S DIALOGUE EXIST WITHIN THE GROUP OF 77 OR, FOR THAT MATTER, THE UNCTAD SECRETARIAT. THE IMPETUS RECEIVED BY THE G-77 FROM THE OUTCOME OF THE 6TH AND 7TH SPECIAL SESSIONS OF THE UN GENERAL ASSEMBLY SEEM EITHER TO HAVE RUN THEIR COURSE OR ARE CURRENTLY UNDER NEGOTIATION (E.G., CIEC, UNCTAD IV, AND THE

CONTINUING NEGOTIATIONS ON THE INTEGRATED PROGRAM ON COMMODITIES, THE DEBT ISSUE, THE CODE OF CONDUCT ON TRANSFER OF TECHNOLOGY, ETC.). OTHER AREAS OF POSSIBLE INTEREST ARE NOT YET RIPE FOR EVEN PRELIMINARY DISCUSSION SINCE MAJOR INTERNATIONAL NEGOTIATIONS WHICH COULD DICTATE G-77 ATTITUDES ARE NOT YET COMPLETED - HERE WE HAVE IN MIND THE MTNS, ECONOMIC ASPECTS OF THE LOS.

2. IN THE PAST FOUR YEARS THE ATTITUDE AND COHESION OF THE GROUP OF 77 HAS UNDERGONE RATHER A MARKED CHANGE. NO LONGER DOES THE GROUP SEEM TO BE LED BY THE MORE RADICAL ELEMENTS (THE ALGERIANS, FOR EXAMPLE, ARE REMARKABLY QUIET). THE LEADERSHIP SEEMS TO HAVE PASSED TO THE MORE MODERATE ELEMENTS, PARTICULARLY THOSE OF LATIN AMERICA AND ASIA. THE GROUP SEEMS TO BE IN INTERNAL DISARRAY OVER A GREAT MANY ISSUES, WITH THE MOST NOTED MALCONTENTS IN THE GROUP BEING THE AFRICANS AND THE LEAST DEVELOPED, WHO HAVE A STRONG FEELING THAT LITTLE OF THE PAST FOUR YEAR'S ACTIVITIES HAVE BENEFITTED THEM. THE FAILURE TO ACHIEVE SIGNIFICANT SPECIAL UNCTAD EFFORTS FOR THE LEAST DEVELOPED COUNTRIES AND THE LACK OF RESPONSE OF THE G-77 TO AID POLICIES DIRECTED TOWARD BASIC HUMAN NEEDS HAVE TENDED TO UNDERSCORE THE DISCONTENT OF THESE TWO GROUPS WITH BOTH THE UNCTAD SECRETARIAT AND THE GROUP OF 77 ITSELF.

3. ONE SHOULD NOT, HOWEVER, ANTICIPATE THAT THE G-77 WILL BY  
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PAGE 03 GENEVA 07337 01 OF 03 122151Z

ANY MEANS SPLIT OPENLY, ALTHOUGH MANY FISSURES WILL BECOME APPARENT. THE PRESENT STATE OF G-77 SOLIDARITY, HOWEVER, DOES SEEM TO OFFER THE U.S. AN OPPORTUNITY TO PUSH FORWARD WITHIN THE UNCTAD CONTEXT ITS OWN CONCEPTS OF DEVELOPMENT BASED UPON THE BASIC HUMAN NEEDS FORMULATION AND TO MOVE FORWARD OTHER INITIATIVES IT MAY HAVE IN THE NORTH/SOUTH DIALOGUE PARTICULARLY THOSE THAT WOULD PRIMARILY BENEFIT THE TWO GROUPS MENTIONED ABOVE. BY SUCH ACTION THE U.S. COULD SHOW ITSELF IN A MORE FAVORABLE LIGHT BY USING THE OPPORTUNITIES BETWEEN NOW AND THE END OF UNCTAD V TO DEMONSTRATE ITS WILLINGNESS TO TAKE INITIATIVES WITHIN THE UNCTAD CONTEXT AND THEREBY CONTRIBUTE TO A CERTAIN DEGREE TO THE ISOLATION OF THE MORE RADICAL MEMBERS AND HELP CREATE A DIFFERENTIATION BETWEEN CATEGORIES OF DEVELOPING COUNTRIES IN THE G-77.

4. SHOULD THE U.S. CONTINUE TO TAKE ITS TRADITIONAL STANCE VIS-A-VIS UNCTAD OF BEING ONLY REACTIVE TO THE DEMANDS MADE BY THE GROUP OF 77 OR TO INITIATIVES OF THE SECRETARIAT, ONE COULD WELL IMAGINE THAT VARIOUS AREAS OF ENDEAVOR WILL BE OUTLINED BY THE G-77 AT UNCTAD V WHICH WILL NOT BE AT ALL TO OUR LIKING. ONE AREA THAT THE SECRETARY GENERAL OF UNCTAD

HAS MENTIONED AS A POSSIBLE AGENDA ITEM FOR UNCTAD V IS THE "RESTRUCTURING" OF UNCTAD - ALTHOUGH HIS CONCEPT OF WHAT ANY NEW STRUCTURE FOR UNCTAD SHOULD BE IS FAR FROM CLEAR. THE GROUP OF 77 HAS APPOINTED A WORKING GROUP (AS HAS GROUP B WHICH THE U.S. CHAIRS), BUT SO FAR THERE DOES NOT SEEM TO BE ANY CONCRETE IDEAS TO PUT FORWARD. THE INEVITABLE THAT WILL APPEAR FROM THE SECRETARIAT WILL BE A REVIVAL OF THEIR EFFORTS TO ESTABLISH A COMPREHENSIVE WORLD TRADE ORGANIZATION, AN IDEA THAT HAS BEEN CONSISTENTLY REJECTED BY THE U.S. (AND OTHER GROUP B MEMBERS). IN BRIEF, THE CONCEPT IS TO COMBINE ALL TRADE RELATED ORGANIZATIONS (UNCTAD, GATT, EAST/WEST TRADE NOW IN ECE, ETC.) UNDER ONE UMBRELLA OR-

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PAGE 01 GENEVA 07337 02 OF 03 122232Z

ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 TRSY-02 L-03 FRB-03  
OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05 CIAE-00  
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C O N F I D E N T I A L SECTION 02 OF 03 GENEVA 07337

GANIZATION, I.E., UNCTAD ITSELF, AND TO MAKE ALL TRADE CONSIDERATIONS DEVELOPMENT ORIENTED. WHILE THIS IDEA HAS BEEN MENTIONED BRIEFLY AT PREVIOUS UNCTAD CONFERENCES (AND REJECTED BY GROUP B), THE SECRETARIAT MAY WELL BE IN A POSITION TO RECEIVE EVEN GREATER SUPPORT FROM THE GROUP OF 77 COUNTRIES ONCE THE MTNS HAVE CONCLUDED. THERE WILL INEVITABLY BE A GREAT DEAL OF LDC DISCONTENT WITH THE OUTCOME NO MATTER HOW FAVORABLE FOR THEIR INTERESTS THEY REALLY ARE. INDEED, VENEZUELA, FOR ONE, APPEARS TO BE DOWNPLAYING THE EXPECTATIONS FROM THE MTN, TRYING INSTEAD TO PERSUADE THE G-77 TO CONCENTRATE ITS EFFORTS ON LDC ACCESS TO DC MARKETS AT UNCTAD V.

5. THE U.S. SHOULD GIVE SERIOUS THOUGHT TO ITS POSITION

VIS-A-VIS THE PRESENT STRUCTURE OF UNCTAD AND WHAT IT WOULD LIKE THE ORGANIZATION TO BE. IT SEEMS INEVITABLE THAT UNCTAD WILL CONTINUE TO PLAY A MAJOR ROLE IN THE CONTINUATION OF THE N/S DIALOGUE AND WE SHOULD BE PREPARED TO DEFINE WHAT WE OURSELVES WOULD LIKE THAT ROLE TO BE. THE PROCESS OF RESTRUCTURING THAT IS GOING ON IN NEW YORK WILL

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PAGE 02 GENEVA 07337 02 OF 03 122232Z

INEVITABLY HAVE REPERCUSSIONS FOR UNCTAD. IF THE PRESENT ROLE FOR UNCTAD IS LEFT UNCHANGED, THE UN NEW YORK RESTRUCTURING WILL MOST LIKELY LEAD TO A GREAT DEAL OF ADDITIONAL DUPLICATION OF EFFORTS BETWEEN GENEVA AND NEW YORK AND ENHANCED RIVALRY BETWEEN THE TWO SECRETARIATS. INTERESTINGLY ENOUGH, THERE ARE ALREADY SIGNS OF SUCH A RIVALRY BETWEEN THE GROUP OF 77 NEW YORK AND THE GROUP OF 77 GENEVA. THERE APPEARS TO BE GENERAL RESENTMENT BY THE G-77 IN GENEVA THAT THE GROUP IN NEW YORK HAS INJECTED ITSELF INTO WHAT THE LOCAL G-77 CONSIDERS TO BE GENEVA'S AFFAIRS VIA THE OVERVIEW MECHANISM (COMMITTEE OF THE WHOLE) - DISPARAGINGLY CALLED THE "HOLY COW" BY GENEVA BASED MEMBERS OF THE G-77.

6. THERE IS ANOTHER POSSIBLE ITEM THAT THE SECRETARIAT WOULD LIKE TO SEE ON THE UNCTAD V AGENDA - INTERDEPENDENCE OF THE PROBLEMS OF TRADE, DEVELOPMENT AND THE INTERNATIONAL MONETARY SYSTEM. JUST EXACTLY WHAT IS MEANT BY THIS IS NOT YET CERTAIN, ALTHOUGH THE SECRETARIAT WILL BE MAKING PROPOSALS TO A FORTHCOMING INTERGOVERNMENTAL GROUP OF EXPERTS. WE TRADITIONALLY HAVE TAKEN THE POSITION THAT THE IMF HAS SOLE JURISDICTION OVER THE INTERNATIONAL MONETARY SYSTEM AND HAVE RESISTED UNCTAD EVEN DISCUSSING THE MATTER. THIS POSITION PROBABLY WILL NOT DO IN THE FUTURE FOR THE SECRETARIAT/G-77 WILL UNDOUBTEDLY CALL FOR UNCTAD TO PLAY A LARGER ROLE IN REVIEWING THE PROBLEMS OF INTERDEPENDENCE AND IN REACHING CONCLUSIONS OR RECOMMENDATIONS IN THIS AREA WITH THE OBJECTIVE OF PLACING GREATER PRESSURE ON THE IMF (WHICH MOST OF THE G-77 CONSIDER TO BE A BIG BOYS CLUB). ON THE OTHER HAND, IF PROPERLY DIRECTED, THIS EXERCISE MIGHT LEAD TO GREATER LDC RECOGNITION OF THE IMPORTANCE OF SOUND GROWTH IN THE DEVELOPED COUNTRIES AND A GREATER WILLINGNESS TO FOLLOW POLICIES RECOGNIZING A MUTUAL NEED TO EFFECTIVELY MANAGE THE WORLD ECONOMY.

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PAGE 03 GENEVA 07337 02 OF 03 122232Z

7. AN AREA IN WHICH THE U.S. (AND OTHER GROUP B MEMBERS) MIGHT WISH TO PUSH FOR FURTHER UNCTAD ACTION IS IN THE ENTIRE FIELD OF SOVIET BLOC PARTICIPATION IN THE DEVELOPMENT

PROCESS. THE SOVIET BLOC, TO UNDERSTATE THE CASE, HAS BEEN LESS THAN FORTHCOMING IN THE UNCTAD DEBATES WHEN THE CHIPS ARE DOWN. WHILE THE BLOC INEVITABLY MAKES SWEET NOISES ABOUT THE LDCS, IT IS VERY SHORT ON ANY ACTION. WE SHOULD CONSIDER EFFORTS AT UNCTAD V TO BRING THIS GROUP OF COUNTRIES INTO GREATER PARTICIPATION, ALTHOUGH WE COULD WELL EXPECT AN EXPLOSION FROM THE SOVIET BLOC SHOULD WE DO SO.

8. CONTINGENT ON WHETHER OR NOT THE OPEC COUNTRIES DECIDE TO INCREASE THE PRICE OF PETROLEUM AGAIN, THE U.S. SHOULD GIVE SOME THOUGHT TO BRINGING BEFORE UNCTAD AND ITS PREPARATORY MEETING THE INTER-RELATIONSHIP BETWEEN ENERGY COSTS, RECESSION, INFLATION AND THE TRADE PROBLEMS OF THE DEVELOPED AND DEVELOPING COUNTRIES. THERE SEEMS TO HAVE BEEN AN UNNATURAL GENTLEMAN'S AGREEMENT BETWEEN THE OIL PRODUCING AND THE OIL CONSUMING LDCS IN UNCTAD SINCE 1973 THAT THE EFFECT OF PRICE INCREASES FOR PETROLEUM SHOULD NOT BE DISCUSSED. THE G-77, FOR PURPOSES OF INTERNAL COHESION, HAVE AVOIDED THE SUBJECT, AND THE OECD COUNTRIES, FOR A VARIETY OF REASONS, HAVE BEEN RELUCTANT AS WELL. EVERY TIME THE U.S. HAS MENTIONED THAT OIL PRICES JUST MIGHT HAVE AN IMPACT ON DEVELOPMENTAL PROBLEMS, WE HAVE BEEN GREETED WITH A STRONG RIPOSTE FROM THE OPEC COUNTRIES AND AN OVERWHELMING SILENCE FROM ALL OTHERS. HOWEVER, SHOULD THERE BE YET ANOTHER ROUND OF PRICE HIKES, THE ENTIRE SUBJECT OF THE IMPACT OF SUCH AN INCREASE ON THE WORLD ECONOMY WOULD APPEAR RIPE FOR A THOROUGH AIRING WITHIN UNCTAD IF ANY REALISM IS TO BE INJECTED INTO THE DISCUSSIONS OF THAT FORUM.

9. IF THE U.S. IS TO FOLLOW ANY OF THE SUGGESTIONS CONTAINED HEREIN, IT IS ESSENTIAL THAT WE BEGIN PREPARATIONS

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PAGE 01 GENEVA 07337 03 OF 03 122231Z  
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C O N F I D E N T I A L SECTION 03 OF 03 GENEVA 07337

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ALMOST IMMEDIATELY. THEORETICALLY, THE AGENDA FOR THE UNCTAD V CONFERENCE SHOULD BE DECIDED AT THE 18TH SESSION OF THE TRADE AND DEVELOPMENT BOARD MEETING IN LATE AUGUST AND EARLY SEPTEMBER. THE G-77 HAVE ALREADY COMMENCED HOLDING MEETINGS IN GENEVA TO GATHER THEIR THOUGHTS FOR UNCTAD V, A PROCESS WHICH WILL CONTINUE THROUGH VARIOUS STAGES WITHIN THE CONTEXT OF THE NON-ALIGNED AND CULMINATING IN THE MINISTERIAL LEVEL G-77 MEETINGS SCHEDULED TO BE HELD IN TANZANIA NO LATER THAN FEBRUARY 1979.

10. SECRETARY GENERAL COREA, FOR HIS PART, IS BOTH CONSULTING HIS DIVISION CHIEFS AND IS CONVENING A GROUP OF "PERSONALITIES" ON JUNE 12 TO 14 TO REVIEW POSSIBLE INITIATIVES FOR UNCTAD V. THE "PERSONALITIES" INVITED ARE KNOWN TO INCLUDE STOLTENBERG FROM NORWAY, PRONK OF THE NETHERLANDS, FITZGERALD FROM IRELAND, GRANT (OVERSEAS DEVELOPMENT COUNCIL) FROM THE U.S., PROF. HELLEINER FROM CANADA, AND CHEYSSON FROM THE EC, THE SOVIET MINISTER OF CONFIDENTIAL

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PAGE 02 GENEVA 07337 03 OF 03 122231Z

COMMERCE, THE DEPUTY DIRECTOR OF POLISH PLANNING COMMISSION, AN UNSPECIFIED HUNGARIAN, PEREZ GUERRERO OF VENEZUELA, AL HAMAD OF THE KUWAIT DEVELOPMENT FUND, THE CHIEF OF THE SAUDI MONETARY AGENCY AND REPRESENTATIVES FROM INDIA, ALGERIA, ARGENTINA, EGYPT, TANZANIA, PHILIPPINES AND IRAN.

11. WE, THE OECD COUNTRIES, HAVE DONE NOTHING.  
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## Message Attributes

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